

Message Text

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PAGE 01 STATE 194997

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TO AMEMBASSY OTTAWA IMMEDIATE

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E.O. 11652:N/A

TAGS: ENRG, CAN, US

SUBJECT:INTERIOR FEASIBILITY STUDY ON TRANSPORT ACROSS
CANADA OF ALASKAN NATURAL GAS

1. INTERIOR WILL RELEASE TODAY (AUGUST 15) DRAFT FEASIBILITY STUDY PREPARED FOR IT UNDER CONTRACT BY AEROSPACE CORPORATION ANALYZING ECONOMICS AND RISKS INVOLVED IN ALTERNATIVE SYSTEMS FOR TRANSPORTATION OF ALASKAN NATURAL GAS TO THE LOWER 48 STATES. RELEASE OF THE REPORT WILL BE ACCCOMPANIED BY A PRESS RELEASE FROM INTERIOR. WE WILL POUCH EMBASSY COPY OF REPORT AND PRESS RELEASE.

2. STUDY WAS COMMISSIONED BY INTERIOR IN CONNECTION WITH EFFORT TO CARRY OUT STATUTORY REQUIREMENT IN TITLE III OF TRANS-ALASKA PIPELINE AUTHORIZATION ACT OF 1973 WHICH REQUIRES INTERIOR TO SUBMIT REPORT TO CONGRESS BY NOVEMBER 1975 ON "FEASIBILITY" OF ALTERNATIVE PIPELINE SYSTEMS FOR MOVING OIL AND GAS FROM ALASKA TO THE US, INCLUDING ROUTES ACROSS CANADA. THE STUDY IS INDEPENDENT OF INTERIOR'S CONSIDERATION OF ARCTIC GAS APPLICATION FOR RIGHT OF WAY. WHILE AEROSPACE ANALYSIS OF ALASKAN/LNG SYSTEM CLOSELY

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PARALLELS PROPOSED PROJECT BY EL PASO, STUDY'S ALASKAN/

CANADIAN SYSTEM IS MUCH TRUNCATED VERSION OF ARCTIC GAS PROPOSAL. INTERIOR PLANS POINT OUT TO PRESS THAT CONTRACT STUDY DOES NOT REPRESENT VIEWS OF USG AND WAS DESIGNED TO ANALYZE "GENERALIZED" ALTERNATIVE SYSTEMS FOR TRANSPORT OF ALASKAN GAS.

3. STUDY SHOWS ECONOMIC BENEFITS AND COSTS OF TWO OPTIONS VARIES GREATLY DEPENDING UPON THE ASSUMPTIONS CHOSEN, ADDITIONAL SOCIAL AND LEGAL CONSIDERATIONS MUST BE EVALUATED BEFORE A DEFINITE CONCLUSION CAN BE MADE.

4. INTERIOR PROVIDED BRIEFING ON STUDY TO CANADIAN EMBASSY OFFICIALS AUGUST 14 AND WILL PROVIDE THEM COPIES OF DRAFT FOR TRANSMITTAL TO OTTAWA.

5. WHILE SOME OF ASSUMPTIONS AND CONCLUSIONS OF STUDIES ARE BOUND TO GENERATE PUBLIC REACTION, ON THE WHOLE WE DO NOT BELIEVE IT WILL CREATE SIGNIFICANT PROBLEMS FOR US/CANADIAN BILATERAL RELATIONS. SISCO

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